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Global Analysis Report

Market Overview

Japan

August 2016

MARKET SNAPSHOT

- Japan had the world's third-largest economy with a total gross domestic product (GDP) of US$4.1 trillion in 2015. Real GDP growth was 0.4% in 2015, a rate that is anticipated to increase to 0.9% throughout 2016.
- Japan has a large middle class and one of the oldest populations in the world. Individuals aged 65 and over are the largest demographic, representing over 26.7% of the total Japanese population in 2015.
- An aging population can pose challenges to the market, especially as these older consumers increase in number and their dietary requirements change. Furthermore, older generations require more innovative products, such as easy-to-use packaging or smaller portions. Health-related products, such as functional foods, are also of very high importance. Consequently, opportunities to better serve this segment of the population are emerging in several packaged food categories.
- Packaged food sales were valued at US$158 billion in 2015, and are anticipated to reach US$164.2 billion by 2020.
- Annual consumer expenditure was US$18,515 per capita in 2015. Spending on food and non-alcoholic beverages represented US$2,626 or 14% of the per capita total, a proportion that is double the North American average.
- Japanese consumers are renowned for placing enormous importance on consuming food that is both safe and of high-quality, and they perceive Canada as a country that produces food with these characteristics. Japan is a trendsetter in many areas, and it can be a very useful gateway to other markets within Asia.

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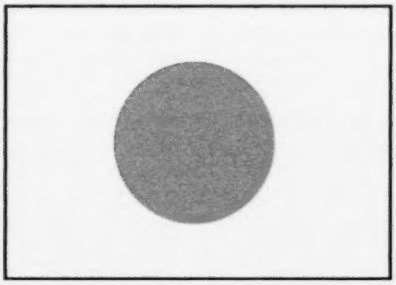

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PRODUCTION

- Rice is by far the most important crop in Japan, but production volumes in 2014 saw just marginal growth (0.4%) over the previous year.
- Among the top ten production crops, wheat saw the most significant increase in 2014, growing by 8.2% over the volume recorded in 2013. Wheat was also the fastest-growing production crop across the whole 2010-2014 period, with a compound annual growth rate (CAGR) of 11.4% since 2010.
- Today, Japanese tastes and preferences are changing towards Western cuisine which is reflected in the meat production sector. However, the traditional staples such as rice and fresh produce still make up the lion's share of food production.

Crop and Livestock Production in Japan

Top ten crops (tonnes)	2010	2011	2012	2013	2014
Rice	10,604,000	10,500,000	10,654,000	10,758,000	10,800,800
Sugar beet	3,090,000	3,547,000	3,758,000	3,435,000	3,530,800
Potatoes	2,290,000	2,387,000	2,500,000	2,600,000	2,686,100
Cabbage and other brassicas	2,248,700	2,272,400	2,300,000	2,297,500	2,311,000
Sugar cane	1,469,000	1,000,000	1,108,000	1,191,000	1,113,800
Onions	1,042,000	1,070,000	1,097,000	1,081,200	1,092,000
Wheat	571,300	746,300	857,800	811,700	878,500
Tangerines, mandarins and clementines	786,000	928,200	846,300	802,800	807,400
Apples	786,500	655,300	793,800	779,400	777,400
Tomatoes	690,900	703,100	722,300	723,600	732,700

Meat indigenous (tonnes)	2010	2011	2012	2013	2014
Chicken	1,416,900	1,378,000	1,444,600	1,453,300	1,463,400
Pork	1,292,500	1,267,300	1,296,900	1,293,300	1,293,600
Beef and veal	515,000	500,400	518,700	519,100	520,300

Livestock (head)	2010	2011	2012	2013	2014
Chickens	286,000,000	178,546,000	177,607,000	306,408,000	312,076,900
Pigs	9,800,000	9,768,000	9,735,000	9,685,000	9,653,100
Cattle	4,376,000	4,230,000	4,172,000	4,065,000	3,978,600

Source: *FAOSTAT Agricultural Production, via Euromonitor International, 2015.*

TRADE

- Japan is a net importer of agri-food and seafood products. In 2015, Japan's agri-food and seafood trade deficit was C$78.2 billion with imports valued at C$85.4 billion, and C$7.2 billion in exports. Japan's agri-food and seafood imports grew at a CAGR of 4.2% between 2013 and 2015.

- Japan's top agri-food and seafood imports in 2015 were corn, cigarettes, frozen pork, prepared chicken meat, and soybeans. Key supplying countries were the United States, China, Thailand, Australia, and Canada. Canada was Japan's fifth-largest supplier of total agri-food and seafood products in 2015, with a 5.6% share.

Japan's Top Agri-Food and Seafood Imports from the World, 2015

Commodity	Import Value C$ millions	Top Suppliers & Market Share			Canada's Share
		1	2	3	
Corn	4,115.1	United States 80.8%	Brazil 15.5%	Ukraine 2.5%	0%
Cigarettes	3,923.8	Switzerland 20.6%	United States 17.0%	Poland 12.2%	0%
Frozen pork	2,610.9	Denmark 23.4%	Spain 15.9%	United States 15.2%	9.4%
Prepared chicken meat	2,416.1	Thailand 59.6%	China 40.0%	South Korea 0.2%	0%
Soybeans	2,169.8	United States 68.8%	Canada 15.9%	Brazil 13.2%	15.9%
Non-durum wheat	1,974.6	United States 54.1%	Canada 25.3%	Australia 17.1%	25.3%
Fresh boneless beef	1,914.7	Australia 61.5%	United States 33.6%	New Zealand 2.7%	0.8%
Frozen shrimp and prawns	1,883.8	Vietnam 24.6%	Indonesia 20.2%	India 19.8%	0.08%
Coffee	1,880.0	Brazil 33.9%	Colombia 20.1%	Vietnam 10.6%	0%
Fresh pork	1,864.7	United States 58.3%	Canada 37.5%	Mexico 4.2%	37.5%

Source: *Global Trade Tracker, 2016*

- Japan's processed food imports were valued at C$45.2 billion in 2015, with Canada representing 4.1% of that total. The United States, China, Thailand, Australia, and France were the largest suppliers of processed food to Japan in 2015, providing 56.5% of the market. Japan's processed food imports increased by a CAGR of 7.1% between 2013 and 2015.

- Canada's agri-food and seafood exports to Japan were valued at C$3.8 billion in 2015. Top exports were canola, fresh pork, non-durum wheat, soybeans, and frozen pork. In 2015, Canada registered an agri-food and seafood trade surplus of C$3.7 billion with Japan.

CONSUMER FOODSERVICE

- The consumer foodservice market in Japan is the third largest in the world, with sales of US$180.6 billion in 2015. However, this industry is growing at a slow rate, registering a CAGR of 0.4% between 2010 and 2015.
- Over the forecast period of 2016 to 2020, sales are expected to rally somewhat, reaching US$200.3 billion following a CAGR of 2.2%. Full-service restaurants and fast food are expected to remain the best performers in terms of value sales.
- The foodservice sector in Japan is highly fragmented, diverse, and has experienced significant business changes over the past five years. International food chains are growing in importance and slowly absorbing share from independent operators. Chained foodservice represented 48.5% of the total market in value terms in 2015, with independents holding 51.5%. As of 2020, these proportions are expected to be 49.5% and 50.5%, respectively.

Historic Consumer Foodservice Sales in Japan
US$ Millions, Fixed 2015 Exchange Rate

Category	2010	2011	2012	2013	2014	2015	CAGR % 2010-15
Consumer Foodservice by Type	176,908.1	173,702.6	173,406.5	176,278.6	178,955.8	180,560.7	0.4
Full-Service Restaurants	81,856.0	79,743.8	79,022.7	80,491.4	82,415.8	84,255.6	0.6
Cafés/Bars	42,015.3	40,380.4	39,744.8	39,027.9	38,428.4	37,544.3	-2.2
Fast Food	32,359.0	33,294.5	34,570.5	36,684.7	37,910.5	38,482.7	3.5
100% Home Delivery/Takeaway	18,919.7	18,433.6	18,132.6	18,119.7	18,192.2	18,239.2	-0.7
Self-Service Cafeterias	1,578.8	1,674.8	1,763.5	1,785.3	1,839.5	1,870.3	3.4
Pizza Consumer Foodservice*	1,359.1	1,356.3	1,371.0	1,419.4	1,495.5	1,551.2	2.7
Street Stalls/Kiosks	179.3	175.4	172.4	169.6	169.4	168.6	-1.2

Forecast Consumer Foodservice Sales in Japan
US$ Millions, Fixed 2015 Exchange Rate

Category	2016	2017	2018	2019	2020	CAGR % 2016-20
Consumer Foodservice by Type	183,690.3	190,125.5	194,031.1	197,300.5	200,255.0	2.2
Full-Service Restaurants	86,078.5	89,315.8	91,290.0	92,946.6	94,442.6	2.3
Cafés/Bars	37,456.0	38,132.7	38,475.6	38,819.4	39,209.5	1.2
Fast Food	39,666.5	41,610.1	42,843.4	43,810.0	44,593.4	3.0
100% Home Delivery/Takeaway	18,417.3	18,930.3	19,246.8	19,517.6	19,773.1	1.8
Self-Service Cafeterias	1,902.7	1,963.9	2,000.5	2,030.2	2,057.8	2.0
Pizza Consumer Foodservice*	1,596.0	1,646.8	1,681.1	1,709.2	1,735.5	2.1
Street Stalls/Kiosks	169.3	172.8	174.8	176.7	178.8	1.4

***Source for both**: Euromonitor International, 2016*
**Note: Pizza consumer foodservice is the aggregate of three sub-sectors, Pizza fast food, Pizza full-service restaurants and Pizza 100% home delivery/takeaway. These three pizza sub-sectors are also included within the Fast food, Full-service restaurants and 100% home delivery takeaway sectors.*

RETAIL SALES

- Japan is the third-largest packaged food market in the world after the United States and China. However, this mature sector is seeing marginal growth, a trend that is expected to continue over the coming years. Retail sales were valued at US$158 billion in 2015, following a CAGR of 0.3% since 2010. By the year 2020, retail sales are expected to reach US$164.2 billion, having registered a slightly stronger growth rate of 0.8%.

- The processed meat and seafood category is expected to see the most significant sales growth in the packaged food sector over the 2016 to 2020 forecast period. The ready meals category is also expected to be among the better performers over the forecast period in terms of sales growth. Examples of popular products in this subsector are prepared foods sold at supermarkets, takeout meals sold at specialty store chain operators, and various ready-made foods sold at convenience and department stores. Growth in this categories is closely linked to the rising number of women working outside of the home, the increasing frequency of single-person households, and the fast-growing elderly demographic.

Historic Packaged Food Retail Sales in Japan
in US$ Millions, Fixed 2015 Exchange Rate

Category	2010	2011	2012	2013	2014	2015	CAGR % 2010-15
Health and Wellness by Type	**42,305.2**	**42,155.4**	**42,480.8**	**43,276.0**	**43,438.7**	**43,879.9**	**0.7**
Better For You (BFY)	4,767.4	4,706.4	4,303.4	4,274.9	4,197.7	4,154.9	-2.7
Food Intolerance	37.8	37.7	37.5	36.9	38.0	38.6	0.4
Fortified/Functional (FF)	14,895.5	14,526.5	14,761.3	15,335.9	15,331.9	15,530.0	0.8
Naturally Healthy (NH)	21,987.0	22,263.2	22,758.0	23,002.4	23,235.7	23,511.2	1.3
Organic	617.4	621.6	620.6	625.8	635.3	645.2	0.9
Packaged Food	**155,328.2**	**153,491.1**	**153,435.7**	**153,600.9**	**155,440.1**	**158,042.4**	**0.3**
Baby Food	951.3	910.7	857.3	830.8	841.7	850.8	-2.2
Bakery	18,739.4	18,905.8	18,859.1	18,527.9	18,467.7	18,512.9	-0.2
Biscuits and Snack Bars	4,160.0	4,123.7	4,052.1	4,041.1	4,340.9	4,526.4	1.7
Breakfast Cereals	326.6	336.5	372.7	413.50	508.2	620.0	13.7
Confectionery	6,866.4	6,835.0	6,734.0	6,662.8	6,916.5	7,147.7	0.8
Dairy	16,599.2	16,890.1	17,369.6	17,710.6	18,000.6	18,263.7	1.9
Ice Cream and Froxen Desserts	4,611.3	4,596.6	4,689.3	4,851.5	4,972.6	5,126.1	2.1
Oils and Fats	2,029.6	2,013.6	1,985.8	2,022.8	2,024.1	2,099.4	0.7
Processed Fruits and Vegetables	1,592.1	1,613.9	1,609.3	1,616.80	1,676.9	1,722.1	1.6
Processed Meat and Seafood	36,814.2	34,972.9	34,390.9	34,538.70	35,281.3	36,056.8	-0.4
Ready Meals	12,963.6	13,354.7	13,682.8	14,037.6	14,597.3	15,147.6	3.2
Rice, Pasta, and Noodles	20,660.1	20,461.6	20,842.0	20,409.1	19,624.1	19,381.2	-1.3
Sauces, Dressings, and Condiments	17,272.9	16,674.5	16,227.5	16,321.6	16,337.8	16,501.6	-0.9
Soup	1,634.9	1,668.0	1,719.3	1,736.6	1,755.5	1,768.9	1.6
Spreads	572.2	574.3	573.6	555.8	611.4	652.5	2.7
Sweet and Savoury Snacks	9,534.4	9,559.1	9,470.4	9,323.8	9,483.6	9,664.6	0.3

***Source**: Euromonitor International, 2016*

Forecast Packaged Food Retail Sales in Japan
in US$ Millions, Fixed 2015 Exchange Rate

Category	2016	2017	2018	2019	2020	CAGR % 2016-20
Health and Wellness by Type	**44,232.9**	**44,697.0**	**44,982.1**	**45,106.6**	**45,230.7**	**0.6**
Better For You (BFY)	4,104.4	4,076.4	4,049.8	4,020.6	4,000.5	-0.6
Food Intolerance	39.1	39.5	39.8	40.0	40.1	0.7
Fortified/Functional (FF)	15,674.1	15,887.7	16,060.5	16,193.8	16,313.0	1.0
Naturally Healthy (NH)	23,764.1	24,034.6	24,167.5	24,184.2	24,205.8	0.5
Organic	651.1	658.8	664.5	668.1	671.2	0.8
Packaged Food	**159,058.3**	**161,172.5**	**162,466.5**	**163,412.0**	**164,193.2**	**0.8**
Baby Food	858.8	865.8	871.7	876.3	880.0	0.6
Bakery	18,549.7	18,626.4	18,657.6	18,681.1	18,695.0	0.2
Biscuits and Snack Bars	4,657.3	4,819.3	4,934.1	5,039.9	5,138.2	2.5
Breakfast Cereals	691.5	745.6	777.5	804.9	829.8	4.7
Confectionery	7,310.9	7,473.6	7,634.7	7,792.2	7,945.4	2.1
Dairy	18,458.4	18,628.7	18,783.6	18,927.7	19,061.6	0.8
Ice Cream and Frozen Desserts	5,160.9	5,276.8	5,342.6	5,394.6	5,432.5	1.3
Oils and Fats	2,108.0	2,131.6	2,135.0	2,137.3	2,137.2	0.3
Processed Fruits and Vegetables	1,741.0	1,771.7	1,793.3	1,807.2	1,815.6	1.1
Processed Meat and Seafood	36,284.8	36,907.6	37,310.8	37,548.9	37,683.5	1.0
Ready Meals	15,451.5	15,937.3	16,200.3	16,419.8	16,608.4	1.8
Rice, Pasta, and Noodles	18,964.0	18,733.7	18,493.8	18,288.3	18,173.3	-1.1
Sauces, Dressings, and Condiments	16,588.1	16,781.9	16,892.6	16,953.3	16,986.4	0.6
Soup	1,776.9	1,789.2	1,798.4	1,803.2	1,806.1	0.4
Spreads	685.6	716.9	742.4	761.3	775.2	3.1
Sweet and Savoury Snacks	9,770.7	9,966.3	10,098.1	10,175.9	10,225.1	1.1

***Source**: Euromonitor International, 2016*

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in Japan**
  http://www.tradecommissioner.gc.ca/eng/offices-japan.jsp

- **Find a Trade Commissioner**
  www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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- ats-sea.agr.gc.ca

RESOURCES

Euromonitor International (2016).
- Agricultural production data (derived from FAOSTAT)
- Consumer foodservice data
- Packaged food data

Global Trade Atlas (2015). Import and export statistics – Japan.

Market Overview: Japan
Global Analysis Report

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